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UNCLAS SECTION 01 OF 02 COLOMBO 000903

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E.O. 12958: N/A

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SUBJECT: THE MALDIVES MOVING TOWARD COMPLIANCE WITH  
INTERNATIONAL LABOR STANDARDS

¶1. (U) Summary. The Government of the Maldives (GOM) has made great strides toward complying with international labor standards by approving a new employment law and a constitutional right to strike. The Maldives is still implementing the labor by writing regulations and designing programs to enforce the law. For instance, the Maldives has established labor tribunals and they are developing a system of health, safety and labor inspections. Several nascent unions have begun, and there have been several threatened strikes at tourist resorts. Many employers are concerned with the new rules, which will significantly increase their costs, and several predict that the informal sector will not comply with the new labor rules. End Summary.

The Bad Old Days(

¶2. (U) Prior to 2008, the Maldives did not have any labor laws, so work hours, health and safety in the workplace, and labor representation were strictly between the individual employee and the employer. In many cases shop assistants would work seven days a week, from morning to night. There were also many abuses in the resort islands that form the core of the Maldives economy. Although the Maldives has a high youth unemployment rate, there are 70-80,000 legal expatriate workers, and perhaps 30,000 illegal expatriate workers, who form one-third of the total population, and many of their rights were abused. In 1995, the U.S. suspended GOM eligibility for tariff preferences under the U.S. Generalized System of Preferences (GSP) because the Maldives did not meet internationally recognized labor standards.

Great Advances in Labor Rights

¶3. (U) In 2008 the Maldives approved a new constitution which provides workers with the right to strike and form trade unions. The Maldives also passed an employment act that established a 48 hour work week, annual and sick leave, maternity leave and provisions for workplace safety. The Ministry of Human Resources, Youth and Employment is required to establish a pay advisory board to set minimum wages and a labor relations authority to implement the new employment law. The law prohibits discrimination and applies to Maldivian as well as expatriate workers. The GOM has established a seven member Labor Tribunal to oversee implementation of the law. The GOM has not yet developed a system of labor, health and safety inspections, although employers are still legally required to meet the new requirements.

14. (U) Workers are beginning to claim their labor rights through unions and labor actions. The largest union is the Tourism Employee Association, which claims 10,000 members but is thought to have many fewer. One of the founders used the union as a launch pad to become a member of Parliament. There are also much smaller unions of fishery workers and teachers. The Maldives does not have an overarching labor organization. Workers threatened to strike in four resorts in 2008, and the GOM facilitated an agreement between the resorts and their employees. Many resorts have representative staff committees, where the employees nominate representatives to a committee to discuss workplace issues with the employer. GOM officials stated that these staff committee had been able to improve working conditions in resorts, but Econoff was not able to verify this claim independently.

15. (U) Many employers have reservations about the labor laws because the reforms have substantially increased labor costs. Ministry of Human Resource, Sports and Labor officials estimated that labor costs would increase 20-40% for employers, since employees were restricted to a six day 48 hour work week unless the employers paid overtime. In some cases shops are now open six days instead of seven so that the workers have one day off. The Vice President of the Maldives Chamber of Commerce also complained that the government never consulted them about the new law, and the law does not recognize the unique situation of workers on a resort island. A business consultant commented that some employees are upset, particularly expatriate workers, because

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they are working fewer hours and receiving less pay. Government and private sources thought that many small employers, such as small shops on the street, will evade the legal requirements and become informal businesses. The business consultant predicts that only the most established businesses would comply with the laws. Finally, employers worry that employees could begin striking for a myriad of reasons, many unrelated to labor rights per se, and that these strikes could damage the economy.

16. (U) The Maldives has adopted these labor rights at an economically difficult time. The GOM is seeking to reorient their economy toward private industry, and as part of their initiative to reduce government spending they plan to retrench government employment by up to a third. The GOM is the country's largest employer, and traditionally the GOM absorbed all school graduates. The downsized civil servants face a difficult transition, since many of them may need to seek jobs in the private sector.

17. (U) Comment. There will be bumps in the road, but the Maldives is taking the steps necessary to comply with international labor standards. The GOM is very eager to become eligible for the GSP trade preference program, and related access to financing from the Overseas Private Investment Corporation (OPIC), so they are very open to USG and ILO suggestions to improve their labor rights. End Comment.  
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